

## Portfolio Breakdown

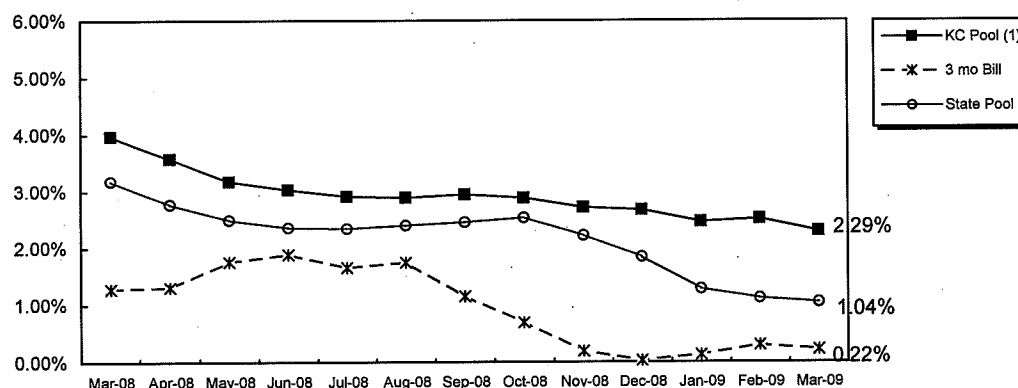
The following is a breakdown of the Investment Pool holdings for March 2009

	Average (\$000)	% of Portfolio
U.S. Agency Securities	2,181,176	61.5%
Commercial Paper	-	0.0%
Taxable Municipal Securities	15,000	0.4%
Bankers Acceptances	-	0.0%
U.S. Agency Mortgage-backed Securities	66,521	1.9%
Repurchase Agreements	-	0.0%
Treasury Securities	474,805	13.4%
Certificates of Deposit & Overnight Deposits	392,140	11.1%
Local Government Investment Pool	414,270	11.7%
Reverse Repurchase Agreements	-	0.0%
<b>Total</b>	<b>\$3,543,912</b>	

\*Average Pool Effective Duration: 0.64 Years

\*Duration is a measure of the length of the portfolio's expected cash flows and is a better measure of average portfolio life than maturity.

## Investment Pool Performance (before Pool fees)



(1) King County Pool Distribution rate has not been adjusted yet for realized losses from impaired commercial paper investments.

## Pool Net Asset Fair Value on March 31, 2009

Net Assets (2)	3,632,937,363.22
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	3,606,826,951.38
Undistributed and unrealized gains(losses)	26,110,411.84
<b>Net Assets</b>	<b>3,632,937,363.22</b>
Net asset value at fair value price per share (\$3,632,937,363.22 divided by 3,606,826,951.38 units)	<u>1.0072</u>

(2) Excludes impaired assets that have been separated into a separate pool.

**Performing Pool Comments:** The King County Pool rate decreased during the latest month, but the portfolio's longer duration has helped maintain the pool's yield above shorter duration investment alternatives. Short-term rates were near zero during March and interest rates in the 2-year sector were between 1% and 2%. As higher yielding investments matured, it was impossible to find new securities that yielded as much as the maturing investments. While there were a few tentative signs during March that housing and financial conditions may have improved, the overall state of the economy was still very weak. The Federal Reserve Bank and the Federal government continued to support the credit markets by keeping interest rates low. We still expect that the pool rate will continue going lower over future months. We probably will not see higher rates until the economy stabilizes and unemployment shows signs of improving. Given the severity of problems economists and market indicators are still predicting that we may not see higher short-term interest rates until late in 2009 or early 2010.

The unrealized gain in the portfolio was about \$26 million at month-end. This month's reported unrealized gain was slightly above last month's figure. This was mainly the result of interest rates in the 2 to 3 year area falling about 20 basis points. Because of the inverse relationship between interest rates and bond prices, declining interest rates lead to higher bond prices.

For a more detailed review of the pool, please see the March 2009 Portfolio Review conducted by our investment consultant, PFM. A copy of this report can be found at the following address: <http://www.kingcounty.gov/operations/Finance/news/CommercialPaper.aspx>

We are continuing the strategy of investing the pool's assets in securities that have the support of the Federal government: U.S. agency obligations, U.S. Treasury securities, and certificates of deposit and savings accounts with banks that have received capital infusions from the U.S. Treasury. We continue to consult regularly with our investment consultant, PFM, and they concur with our current strategy. King County also remains committed to sharing information with pool members about investment holdings and the impacts of the current turmoil in global credit markets. Please call the Treasury Operations number at 206-296-7326 if you have questions or need any additional information.

## King County Pool Rating

In January 2008, the rating of the King County investment pool was temporarily suspended by Standard & Poor's pending further information being available on the outcome of restructuring proposals associated with each impaired investment. Three of four restructurings have been completed in 2008 with one remaining in early 2009. King County has initiated discussions with S&P to restore the pool's AAA rating and anticipates action during 2009.

**Impaired Pool Holdings Report  
3/31/2009**

Commercial Paper Issuer	Status	Current Book Value	Estimated Future Cash Recovery	Estimated Future Unrealized Loss
Mainsail II (1)	Restructured	3,022,926.58	782,000.00	2,240,926.58
Cheyne Finance (1)	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge (1)	Restructured	1,885,308.88	1,134,600.00	750,708.89
Victoria Finance (2)	Restructuring In Progress	43,290,374.02	7,462,000.00	35,828,374.02
<b>Total</b>		<b>48,986,111.62</b>	<b>9,886,350.00</b>	<b>39,099,761.63</b>

Fair Value Ratio	0.2018
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(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be as long as 2014 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate.

(2) Victoria Finance restructuring is not complete. These estimates are based on market price from a single dealer willing to provide a quote. Note that the intrinsic value estimate from Victoria's trustee for the King County Pool's proportionate share is about \$18.3 million, excluding the recent cash payments, and this is materially higher than the \$7.5 million single dealer valuation.

**Impaired Pool Comments:**

The vast majority of the amount remaining in the impaired pool as of March 31st is associated with Victoria, the one investment waiting for restructuring. Victoria continues to make regular monthly distributions, and we received two payments in March for a total of about \$709,000. We expect these monthly distributions to continue at least until the restructuring process is concluded, and we still expect the restructuring of Victoria to occur sometime in the first half of 2009.

The March market price was slightly above February's quote. Pricing for impaired investments has been difficult to obtain because of the turmoil in the credit markets, and in illiquid markets it is not unusual to see wide swings in prices. Victoria's trustee estimates an intrinsic value of about 34% versus a market price from a single dealer quote of 14% (based on original par amount of \$53.3 million). Adding the cash recoveries through March to the March dealer price (14%) results in an estimated recovery rate to senior investors of about 32%.

The King County Executive Finance Committee approved bifurcation of the investment pool so that the impaired investments would be in their own pool separate from the main pool of "performing" investments. The effective date of the bifurcation was September 1, 2008 (this date was selected based on input from pool members). The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

There are also "tail" payments from the other three completed restructurings (Cheyne, Rhinebridge and Mainsail) that will remain bifurcated until such time that we receive future cash payments and convert the remaining unrealized losses into realized losses.